

September 25, 2008 - HB 689 Biodiesel Study Commission meeting notes

Agenda:

1. David Borden provided a summary of the last meeting which focused on outreach related to the state's use of B5. Dr. Melinda Treadwell gave an excellent presentation at that meeting. Barbara Bernstein will post the presentation and other materials for the study commission on the Granite State Clean Cities Coalition website.

(this has been done - please see the site dedicated to posting for this study commission at <http://www.granitestatecleancities.org/biodiesel/index.htm>)**

2. David Borden gave a synopsis of the cellulosic biofuels conference he attended last week. If all available cellulosic resources were used we could still only meet 35% of demand nationally, therefore the key is to reduce overall demand. Biodiesel can be made from cellulosic materials as well as alcohol fuels such as ethanol and butanol.

3. Discussion of the State's use of B5. This discussion focused on the use of B5 in diesel fuel (RSA 228:24-a.). HB1631 also requires the use of B5 in heating oil (RSA 21-I:11). The bill language is included at the end of these minutes. Both of these issues merit further discussion.

David read the diesel fuel requirement, followed by a presentation by Dan Evans, Evans Group.

Dan's presentation provided an overview of the fuel distribution network in the New Hampshire/New England area. His powerpoint presentation is available at <http://www.granitestatecleancities.org/biodiesel/index.htm>. To summarize:

- Major terminals (diesel fuel) are located in Portsmouth, NH, Albany, NY, Portland, ME, and Boston, MA.
- Tractor trailers (10,000 gallon) deliver fuel from terminals either to bulk storage tanks within the state or directly to customer location (3000 gal minimum)
- There are about 100 bulk plants in NH that get large fuel loads by tractor trailer.
- From the bulk plants the fuel is put into tankwagons (also called paddletrucks - 2800-4500 gallons - like heating oil trucks) for delivery to customers.
- Tankwagon drops are ~250 gal.
- Delivery costs for fuel differ - tractor trailer is 6-7¢/gallon for delivery from Boston. Tankwagon delivery costs are about double that.
- Not all terminals store/sell biodiesel - can only get in Albany, Portland, and Boston.
- for Evans, additional cost to go to Portland instead of Portsmouth is ~1.7¢/gallon
- B100 is currently 50-75¢/gallon more than diesel
- B20 from the terminal (blended at terminal) is about 25¢ more
- Bringing biodiesel in by rail car lowers the per gallon transportation cost
- Conclusions from the presentation:
 - biodiesel is widely available for distribution in larger quantities by tractor trailer

- biodiesel is available for distribution in smaller quantities in limited areas, mainly near terminals. Statewide distribution is limited by lack of local availability and thus high transportation costs
- only a few of the states 100 or so bulk plants have storage dedicated to biodiesel (3 known - 1 Evans, 2 Rymes).
- the onset of regional production facilities combined with increased demand by the state or private sector will drive additional storage capacity, resulting in increased availability

Michael Walsh, Purchasing Agent, Dept. of Administrative Services, discussed specifics of the state purchase of diesel fuel (and to a limited degree heating oil)

- the state currently pays about 7¢/gallon for tractor trailer deliveries and 17¢/gallon for tankwagon deliveries
- ~90% of DOT diesel fuel sites are tractor trailer drops. Some smaller tanks, or confined space locations get tankwagon deliveries.
- the state has 267 heating oil sites on contract. all but 11 are tankwagon.
- Conclusion - where DOT has larger tanks and for 11 heating oil sites it may be feasible to go with B5.

What would enable local distributors to get B5?

- problem is bulk storage. Is it cost effective to add bulk storage for a product with uncertain demand.
- product demand is the key factor, therefore state purchase of B5 can help create demand and spur investment in storage.

Bulk tanks are 10-30,000 gallon - typically have 1 to 4 tanks at a bulk storage facility. Cost of a new tank is ~\$60-100,000.

Regional production that is coming on line soon cannot currently be incorporated at the Portsmouth terminal. there is no space for a biodiesel tank.

State Fuel Purchasing Procedure:

DOT fuel depots - ~100 statewide

1. DOT specifies product specs and estimates annual quantity needed
2. Purchasing and Property (P&P) puts out bid request by DOT district (6 districts) and asks for fixed price bids and/or mark up over rack price (fixed price = set price/gallon for entire contract period. mark up price sets a per gallon fee mark up over the daily price at the terminal - ~4¢ for locations near terminals that get large drops and higher for more remote locations served by tankwagons). Tractortrailer sites are bid separately from tankwagon sites
3. Heating oil is bid by location - 265 individual bids - currently ~12 heating oil vendors statewide.

Issues:

P&P will need to get 2 bids - one for diesel and one for B5. For each purchase the DOT will have to review the cost differential and decide whether to buy diesel or B5. They

base current costs on postings known as OPIS (biodiesel prices) and JOC (diesel prices)

CHAPTER 85

HB 1631-FN – FINAL VERSION

30Apr2008... 1501eba

2008 SESSION

08-2885

08/03

HOUSE BILL ***1631-FN***

AN ACT relative to the state purchase of biodiesel fuels.

SPONSORS: Rep. Borden, Rock 18; Rep. Harvey, Hills 21; Rep. Devine, Rock 7; Sen. Janeway, Dist 7; Sen. Fuller Clark, Dist 24

COMMITTEE: Transportation

ANALYSIS

This bill requires the commissioner of the department of transportation and the division of plant and property management to purchase fuels that contain a certain amount of biodiesel.

This bill is a request of the commission to study the production and distribution of biodiesel in New Hampshire established in 2007, 283.

Explanation: Matter added to current law appears in ***bold italics***.

Matter removed from current law appears [~~in brackets and struck through.~~]

Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

30Apr2008... 1501eba

08-2885

08/03

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Eight

AN ACT relative to the state purchase of biodiesel fuels.

Be it Enacted by the Senate and House of Representatives in General Court convened:

85:1 New Paragraphs; State Purchase of Biodiesel. Amend RSA 21-I:11 by inserting after paragraph II the following new paragraphs:

II-a. Purchasing only heating oil that contains at least 5 percent biodiesel, as defined in RSA 362-A:1-a, I-b, except if such product is unavailable or is more costly than a 100 percent petroleum product, in which case such purchase shall be made at the discretion of the director. The director, when using such discretion, shall consider at a minimum any savings related to equipment maintenance and longevity that may result from biodiesel use.

II-b. Purchasing biodiesel fuel blends for the department of transportation in accordance with RSA 228:24-a, II.

85:2 State Purchase of Biodiesel. Amend RSA 228:24-a to read as follows:

228:24-a Motor Fuel Inventory Fund.

I. There is hereby established a motor fuel inventory fund not to exceed \$1,000,000, which sum is hereby authorized as a revolving fund comprised of funds in the highway fund that are not otherwise appropriated. The commissioner of transportation may purchase, through the division of property and plant management, such amounts of motor fuels as may be necessary for the operation of an automated state fleet fuel distribution and records management system. The commissioner is further authorized to sell motor fuel from the motor fuel inventory to all departments and institutions of the state, political subdivisions of the state, eligible nonprofit corporations operating transportation under contract with the department of transportation for elderly or disabled persons, and agencies of the federal government. The commissioner is authorized to assess a fair and equitable charge with respect to the sale of motor fuel sufficient to defray all administrative, transportation, storage, amortization, and other costs incurred by the department in administering this account sufficient to fully reimburse the inventory fund.

II. The commissioner shall only purchase diesel fuel that contains at least 5 percent biodiesel, as defined in RSA 362-A:1-a, I-b, except

if such fuel is unavailable or is more costly than 100 percent petroleum diesel, in which case such purchase shall be at the discretion of the commissioner. The commissioner, when using such discretion, shall consider at a minimum any savings related to equipment maintenance and longevity that may result from biodiesel use. The commissioner is encouraged to purchase diesel fuels containing up to 20 percent biodiesel when such fuels are compatible with the vehicles served at given fuel depots. Any biodiesel blend purchased by the commissioner shall be made available as provided for in paragraph I.

85:3 Effective Date. This act shall take effect January 1, 2009.

Approved: May 21, 2008

Effective Date: January 1, 2009